

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Item #15 (Rev. 1)

ID #12543

RESOLUTION G-3483

December 5, 2013

R E S O L U T I O N

Resolution G-3483. Southern California Gas Company notifies the Commission and affected parties of a natural gas curtailment event in its service territory as required by Decision (D.) 91-09-026.

PROPOSED OUTCOME: This Resolution affirms the necessity of SoCalGas' December 27, 2012 curtailment and grants a one-time waiver for the first eight hours of the noncompliance penalties to all of SoCalGas' noncore interruptible customers.

SAFETY CONSIDERATIONS: Supports the safe operation of the natural gas pipeline system of SoCalGas.

ESTIMATED COST: None.

By Advice Letter 4441 filed December 27, 2012.

SUMMARY

This Resolution affirms the necessity of SoCalGas' December 27, 2012 curtailment to ensure the safety of the affected pipeline system. This Resolution grants in part the protestants' request and grants a one-time waiver for the first eight hours of the noncompliance penalties to all of SoCalGas' noncore interruptible customers as a one-time, non-precedential waiver for this event.

BACKGROUND

D.91-09-026 requires SoCalGas to submit an Advice Letter filing to notify the Commission and affected parties of a curtailment event in its service territory. This decision also allows affected customers of a curtailment event an opportunity to respond and be heard through that Advice Letter filing.

Decision (D.) 91-09-026 Ordering Paragraph 1 states:

“SoCalGas shall submit an Advice Letter filing to the Commission Advisory and Compliance Division simultaneously with an announcement of curtailment pursuant to the discussion in this decision. The filing shall state the facts underlying and the reasons for a curtailment, shall demonstrate that the type of curtailment being declared complies with SoCalGas’ tariffs, and shall set forth the efforts SoCalGas has taken to minimize or alleviate the curtailment. The filing shall be served by overnight mail to affected customers.”

On December 27, 2012, Southern California Gas Company (SoCalGas) filed Advice Letter 4441 to notify the Commission and affected parties of a natural gas curtailment event in its service territory on the northern San Joaquin Valley system.

According to SoCalGas, an internal inspection report for Line 293 and a portion of Line 7000 received on December 26, 2012 indicated metal loss on the long seam and deformations with metal loss. Line 293 and Line 7000 are contiguous transmission lines running through rural parts of the San Joaquin Valley. SoCalGas states that in-line inspections on those lines indicated localized conditions that required reduced pressure and further investigation on the pipeline. In response and in accordance with guidance from the Pipeline and Hazardous Material Safety Administration (PHMSA) and the Commission’s General Order 112-E¹, SoCalGas reduced the maximum operating pressure of these pipelines.

A curtailment occurred in the SoCalGas northern San Joaquin Valley system at approximately 1:00 PM on December 27, 2012. SoCalGas states that a localized curtailment of interruptible, non-core customers in the northern San Joaquin

¹ General Order 112-E, State of California Rules Governing Design, Construction, Testing, Operation and Maintenance of Gas Gathering, Transmission, and Distribution Piping Systems are in addition to the Federal Pipeline Safety Regulations, specifically, Title 49 of the Code of Federal Regulations, Parts 190, 191, 192, 193, and 100.

Valley system was necessary to maintain service to core customers while transmission line 293 and 7000 were operating at a lower pressure to conduct safety-related work on these pipelines.

Working with the Commission's Safety and Enforcement Division and the guidelines established under the General Order 112-E, SoCalGas initiated excavation. The curtailment was preliminarily expected to last approximately two weeks. A temporary bypass pipe was completed around the section of pipe showing indications of metal loss. On January 7, 2013 at approximately 6:30 pm, SoCalGas returned the pipelines to normal operation and lifted the curtailment. According to SoCalGas, once the isolated section of pipeline is fit for service, it will be returned to service and the bypass pipe will be taken out of service.

NOTICE

Notice of Advice Letter 4441 was made by publication in the Commission's Daily Calendar. SoCalGas states that a copy of the Advice Letters was sent to parties listed on Attachment A of the Advice Letter. Pursuant to Ordering Paragraph 1 of D.91-09-026, Attachment B, filed under the confidentiality provisions of General Order 66-C and Section 583 of the Public Utilities Code, includes the names of affected customers. SoCalGas states that a copy of Advice Letter 4441 was sent to all affected customers on December 27, 2013.

PROTESTS

Four protests were filed on AL 4441 by the following parties: Pixley (Pixley) Cogen Partners, LLC; Central Valley (Central Valley) Meat Company, Inc.; Golden State (Golden State) Feed and Grain; and Harris Ranch (Harris Ranch) Beef Company. SoCalGas filed a reply to the protests on January 24, 2013.

On January 6, 2013, Pixley filed a protest stating that SoCalGas did not provide sufficient advance notice of the curtailment. According to Pixley, SoCalGas, by a telephone call at approximately 5:00 pm on December 27, 2012, advised Pixley to halt all natural gas consumption or face penalties of \$1.00 per therm, escalating to \$10 per therm as set forth in SoCalGas Tariff Rule 23. Pixley states that though steps were taken to comply, Pixley was unable to immediately halt all natural gas use without jeopardizing the safety of its employees working at the ethanol plant that Pixley serves with electrical power and steam. Pixley also argues that the curtailment violates Rule 23, Sections A, G, C (4), J and K (2).

On January 7, 2013, Central Valley filed a protest objecting to the resultant surcharge. Central Valley operates a meat packing plant and states that the penalties resulting from the curtailment creates a financial burden. In addition, the impact would also create a hardship for their 450 employees as well as to the local economy.

On January 12, 2013, Golden State filed a protest requesting to waive two days of the full penalty. Golden State serves animal agriculture that provides dairy producers product needed to feed the cows. Golden State argues that though they made every attempt to change their fuel source, they were unable to shut down completely without a detrimental impact to living animals.

On January 16, 2013, Harris Ranch filed a protest arguing that there was no need for the curtailment and that under a declaration of emergency pursuant to Rule 34, Section C.4, an interruption of service could have caused a danger to human health or safety given the operation of Harris Ranch in supplying beef and other products to consumers.

In its reply to the protests filed on January 24, 2013, SoCalGas argued that the issues raised by the protestants were not within the scope of this advice letter. First, SoCalGas stated that the curtailment penalties were beyond the scope of the Advice Letter. Second, SoCalGas stated that the curtailment was necessary and that SoCalGas made efforts to minimize customer impacts.

On August 7, 2013 in a supplemental reply to the protests, SoCalGas acknowledged that the issues raised by the protestants were within the scope of the advice letter as permitted by D.91-09-025. In addition, SoCalGas' supplemental reply included expanded responses to the protests.

DISCUSSION

This Resolution affirms the necessity of SoCalGas' curtailment to ensure the safety of the pipeline. This Resolution grants the protestants' request in part and waives the first eight hours of the noncompliance penalties to all of its noncore interruptible customers as a one-time, non-precedential waiver.

Given the series of events on December 26, 2012, we agree that the curtailment was necessary and unavoidable considering the possible safety impacts to

transmission line 293 and line 7000. SoCalGas acted in accordance with the regulations of General Order 112-E and PHMSA, the agency within the United States Department of Transportation that develops and enforces regulations for the safe, reliable and environmentally sound operation of the nation's pipeline transportation system.²

Due to reports of metal loss and deformations with metal loss, SoCalGas undertook proper steps to ensure the safety of their pipeline system. As a precaution, SoCalGas correctly implemented a temporary restriction on the maximum operating pressure of these pipelines to 636 pounds per square inch (psi), resulting in a curtailment of interruptible noncore service in order to maintain service to core customers. We support SoCalGas' immediate actions to safeguard the safety of the public and its employees.

Pixley argues that SoCalGas violated Rule 23, Section A³ by not exercising diligence and care to avoid the disruption. The detection was discovered through SoCalGas' routine maintenance and testing. We have no indication that the metal loss and deformations were a result of negligence on SoCalGas' part.

Pixley also states that SoCalGas violated Rule 23, Section K(2)⁴ for not consulting with customers in scheduling maintenance interruptions. Given the urgency of

²Staff from the Commission's Safety and Enforcement Division has confirmed the series of events occurring on December 26-27, 2012 and the precautionary actions taken by SoCalGas.

³ Rule 23, Section A. General states:

"The Utility will exercise reasonable diligence and care to furnish and deliver service to its customers and to avoid any interruption of same. The Utility shall not be liable for damages or otherwise for any failure to deliver gas or provide service to its customers, which failure in any way or manner results from breakage of its facilities, however caused, war, riots, acts of God, strikes, failure of or interruption in service, operating limitations or other conditions beyond its reasonable control."

⁴ Rule 23, Section K.2 Service Interruption Credit, Scheduled Maintenance states:

"The Utility shall consult with the customer in scheduling any such maintenance interruptions and shall use reasonable efforts to schedule such maintenance to accommodate the customer's operating needs and to

Footnote continued on next page

the curtailment, SoCalGas did not have the luxury of scheduling the interruption for a future date, nor did they have time to consult with all its noncore interruptible customers. We are convinced this was not a routine maintenance interruption that could be scheduled.

We understand the immediacy of the curtailment, but we also realize that certain business processes cannot be switched off with a flip of a switch.

Pixley argues that SoCalGas violated Rule 23, Section G⁵ by not failing to consider the immediate impact of curtailing usage to 0%. SoCalGas' priority in this situation was appropriate - to ensure the safety of its pipeline, not the inconvenience to its noncore interruptible customers. We do, however, recognize the difficulty in cutting off gas usage to 0% within an hour.

Pixley and Harris Ranch both filed declarations of a natural gas emergency operation under Rule 23, Section C (4)⁶, both citing safety hazards to their

continue same only for such time as is necessary, including any agreed upon adjustments to the scheduled date for maintenance as reasonably necessary in light of unforeseen occurrences affecting the customer and/or the Utility."

⁵ Rule 23, Section G. System Maintenance and Repair states:

"The Utility, whenever it finds necessary for the purpose of making repairs or improvements to its system, will have the right to suspend temporarily the delivery of gas, but, in all such cases, as reasonable notice thereof as circumstances will permit will be given to customers, and the making of such repairs or improvement will be prosecuted as rapidly as may be practicable, and if practicable, at such times as will cause the least inconvenience to the customers.

In the event such interruption of service affects more than one customer, interruption of service shall be made in the order established herein only to the extent it is operationally feasible to do so. Special conditions which apply to scheduled maintenance for firm intrastate service are set forth in Section K herein."

⁶ Rule 23, Section C(4). Operating Emergency Declared by a Customer states:

"In the event of an operating emergency as declared by a customer at the customer's facility, service may be made available out of the normal curtailment

Footnote continued on next page

employees and their facilities. According to their protests, Pixley and Harris Ranch required additional time and resources to secure alternative energy sources to ensure the safety of their employees and their facilities. Golden State also stated in their protest that an immediate shutdown would have a detrimental impact on their animals.

Under Rule 23, Section C(1), SoCalGas describes the order and manner of how a curtailment will be effectuated; however, the rule does not specify a clear notification protocol for a curtailment. In its supplemental response, SoCalGas states that Pixley's declaration of emergency was accepted, but that it did not accept the declarations of emergency from Golden State, Central Valley or Harris Ranch. Although Rule 23, Section C(4) allows SoCalGas to use its judgment to determine a customer's operating emergency, SoCalGas supplemental response did not include a clear or convincing explanation of exactly why it determined Pixley's emergency declaration as valid and why the others were not.

The extenuating circumstances in this situation justify a one-time waiver of the noncompliance penalties resulting from the curtailment.

We understand the immediacy of the curtailment, but we also realize that certain business process cannot be switched off with a flip of a switch. It is difficult for customers to completely turn off all their gas usage in a matter of hours. In some cases, the violation penalties began to accrue within an hour. In SoCalGas' supplemental response, SoCalGas states that the declarations of operating emergencies from Golden State, Central Valley and Harris Ranch were economically driven. We recognize that the interruption to these businesses were not on the same scale of endangerment as one facing the utility. We are also conscious of the fact that failure of customers to curtail when they are ordered to do so could create unsafe situations for the rest of the gas system. Finally, we are sympathetic to the financial burden these charges will have on the business industries as well as on their struggling local economy. The costs of procuring

pattern order, if in the judgment of the Utility it is possible to do so. Out-of-pattern deliveries will be provided to critical customers, as defined in rule No. 1, whenever they declare an operating emergency. In such an event, subsequent out-of-pattern curtailment may be imposed on the customer in order to balance the amount of curtailment with other customers at the same level on the curtailment order."

alternative energy as well as the imposition of the curtailment penalties impose a heavy burden on these businesses in these trying economic times. The extenuating circumstances in this situation justify a one-time waiver of the noncompliance penalties resulting from the curtailment.

This one-time waiver for the noncompliance penalties to SoCalGas' interruptible noncore customers should be limited to the first eight hours of the initial curtailment notification.

Though inconvenient, interruptible customers should expect that interruptions in service could occur when they contractually agreed to interruptible service. These customers should have alternative energy sources to back up their operations or be able to shut off their gas usage within the timelines required under the rules.

Nonetheless, we find it reasonable to waive the penalties associated with the first eight hours of the curtailment violations.⁷ Beyond the first eight hours of the curtailment, SoCalGas is authorized to assess penalties at \$10 per therm for any hours of non-compliance with the curtailment directive through the end of the curtailment as stated in Rule 23, Section J. Given the emergency nature of the curtailment, eight hours is a reasonably adequate time allocation for noncore customers to adjust their gas usage, particularly given that these customers are taking interruptible service from SoCalGas.

This one-time waiver of the charges would not result in added costs to other noncore SoCalGas customers or to SoCalGas.

The penalties incurred would be credited to SoCalGas' Curtailment Violation Penalty Account (CVPA). The CVPA is a memorandum account created to

⁷ Rule 23 Section J. Curtailment Violations states:

"For other than a customer operating emergency as set forth in Section C.6, customer failing to curtail on request will be assessed a penalty of \$1.00 per therm for the initial 5 hours of the Customer's operating day, \$3.00 per therm for hours 6 through 8, and \$10.00 per therm for hours 9 through the end of the curtailment episode."

record the revenues from penalties for violation of curtailment. Presently, SoCalGas is permitted to use the penalty funds for the installation of electronic meters. In the current Phase II of Application 11-11-002, SoCalGas proposes to refund the balance of the CVPA to those noncore customers who were curtailed and not subject to penalties. There are no true cost based expenses to SoCalGas for the violation of a curtailment. The penalties are strictly punitive and therefore do not incur additional expenses to SoCalGas.

Although SoCalGas argued in its initial response that Rule 11 provides a process for a customer to present billing disputes between SoCalGas and its customers, SoCalGas acknowledged in its supplement reply that the protests were within the scope of the advice letter.

D.91-09-026 specifically provided the Advice Letter process to address these issues. Section 4.7 of D.91-09-026 explicitly states: “that a formal filing regarding the details of a curtailment would not only give us better information to make an informed decision, but allow affected customers an opportunity to respond and be heard.” The decision continues to state that an Advice Letter filing would “demonstrate that the type of curtailment being declared complies with its tariffs and shall set forth the efforts SoCalGas has taken to minimize and/or alleviate the curtailment.”

COMMENTS

Public Utilities Code section 311(g) (1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g) (2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, the draft of this resolution was mailed to parties for comments.

Comments to the draft resolution were filed by Pixley Cogen Partners, LLC on November 25, 2013. In its comments, Pixley reargues that SoCalGas did not need to initially reduce Pixley’s use to 0% and that SoCalGas did not exercise diligence and care in its conduct of the curtailment and communications with Pixley. Pixley also states that the Commission “will oversteps its bounds if it ignores

Rule 23, Section C(4) and substitutes its judgment for that of SoCalGas in determining that Pixley's actions were appropriate following its declaration of an emergency." Pixley recommends that SoCalGas' determination that Pixley is not subject to penalties should be upheld.

This resolution does not propose to dismiss SoCalGas' judgment either in determining when operating conditions require curtailment of service or when an operating emergency has properly been declared by a customer. This resolution also does not question the accuracy or application of the penalty calculations, or SoCalGas' determination that Pixley is not subject to penalties. This resolution only grants a one-time waiver for the initial eight hours of penalties for those noncore interruptible customers who incurred penalties during this period.

FINDINGS AND CONCLUSIONS

1. D.91-09-026 requires SoCalGas to submit an Advice Letter filing to notify the Commission and affected parties of a curtailment event in its service territory.
2. D.91-09-026 allows affected customers of a curtailment event an opportunity to respond and be heard through that Advice Letter filing.
3. On December 27, 2012, SoCalGas submitted Advice Letter 4441 notifying the Commission and affected parties of a curtailment on its northern San Joaquin Valley system beginning December 27, 2012 at approximately 1:00 pm.
4. Protests were timely filed by Pixley Cogen Partners, LLC, Central Valley Meat Company, Inc., Golden State Feed and Grain, and Harris Ranch Beef Company.
5. On December 26, 2012, a SoCalGas internal report from in-line inspections indicated metal loss on the long seam and deformations with metal loss on operating transmission line 293 and 7000.
6. On August 7, 2013, SoCalGas filed a supplemental reply to the protests which incorporated its original response from January 24, 2013 with an expanded

reply and an acknowledgement that the protests were within the scope of the advice letter.

7. Line 293 and line 7000 are contiguous transmission lines running through rural parts of the San Joaquin Valley.
8. SoCalGas implemented a temporary restriction on the maximum operating pressure of these pipelines to 636 psi, resulting in a curtailment of interruptible noncore service in order to maintain service to core customers.
9. SoCalGas acted in accordance within the regulations of General Order 112-E: State of California Rules Governing Design, Construction, Testing, Operation and Maintenance of Gas Gathering, Transmission, and Distribution Piping Systems, and the Pipeline and Hazardous Material Safety Administration, the agency within the United States Department of Transportation that develops and enforces regulations for the safe, reliable and environmentally sound operation of the nation's pipeline transportation system.
10. The SoCalGas curtailment beginning December 27, 2012 was necessary and unavoidable considering the possible safety impacts to transmission line 293 and line 7000.
11. SoCalGas' noncore interruptible customers were notified to reduce their gas usage to 0% in a matter of hours.
12. Some of the noncore interruptible customers required additional time and resources to secure alternative energy sources to ensure the safety of their employees and their facilities.
13. SoCalGas' explanations for why it accepted the declaration of operating emergency from Pixley Cogen, but not from Golden State, Central Valley or Harris Ranch are unclear.
14. The costs of procuring alternative energy as well as the imposition of the curtailment penalties impose a heavy burden on these businesses in these trying economic times.
15. Under the circumstances, eight hours is a reasonably adequate time allocation for interruptible noncore customers to adjust their gas usage.

16. A one-time waiver of the charges would not result in added costs to other noncore SoCalGas customers or to SoCalGas.
17. The extenuating circumstances in this situation justify a one-time waiver for the initial eight hours of the penalties resulting from noncompliance of the curtailment.
18. Any penalties beyond the first eight hours of the curtailment violations should be assessed at \$10 per therm through the end of the curtailment as stated in Rule 23, Section J.

THEREFORE IT IS ORDERED THAT:

1. Southern California Gas Company curtailment event on December 27, 2012 was necessary and unavoidable to ensure the safety of the public and its employees.
2. Penalties resulting from noncompliance with the curtailment event on December 27, 2012 for the first eight hours of noncompliance are waived for all Southern California Gas Company's noncore interruptible customers.
3. Beyond the first eight hours of the curtailment, Southern California Gas Company is authorized to assess penalties at \$10 per therm for any hours of non-compliance with the curtailment directive through the end of the curtailment in accordance with Rule 23, Section J.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 5, 2013; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director